

Human resources impact



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Human Resources Impact University of Phoenix HR 535 October 29, 2002 Elizabeth Stebbins Human Resources Impact Human Resource departments need to show value to their organizations by aligning their goals and activities with the strategic goals of the larger enterprise. Our knowledge-based economy, ever-changing market, competitive threats, and consumer needs require the optimal leverage of human talent and potential. The article "Measure What You Bring to the Bottom Line", in the 1998 issue of Workforce, Measuring the return on HR investment is the wave of the future, and the time has come for HR to step up to a new challenge: bottom-line accountability.

Contemporary questions in the minds of many line executives and leaders in HR include: Where do we wisely invest our current HR dollars and what types of activities should HR personnel be engaged in so that there is a long-term, strategic benefit to the organization? Is it wise to out-source some Human Resource functions, if so, which ones are candidates for outsourcing and what are the implications for doing so? How do we show a return on our investments for programs and processes that focus on intangible assets so that we can gauge the utility of our Human Resource effort? What programs can be developed today that will have substantial benefit tomorrow? How can this benefit be shown to senior executives in terms of bottom line contributions? Demonstrating the bottom-line impact of HR's contributions may be a slippery task, but HR must learn the "how tos" of ROI measurement in order to be recognized as a true business partner. Measurement of the results of HR.

HR's efforts-H. R.'s return on investment (ROI-is being lauded as today's high-credibility management tool-a must-use formula for every sophisticated HR professional striving to gain respect as a true strategic business partner. Having impact on the bottom line is something every HR organization should be concerned with today. Jack Phillips, author of *Accountability in Human Resource Management* (Gulf Publishing Company, 1996) and president of the Performance Resources Organization, a Burlingham, Alabama-based consulting firm, says it's more important than ever for HR to measure ROI. "Pressure to improve productivity and increase efficiency in a competitive environment has brought scrutiny to all functions, activities and expenditures," says Phillips. "HR is responding with a variety of approaches to measure this contribution and ROI seems to be the best strategy to meet this important challenge." Phillips also points out that HR expenditures are on the increase, often making an organization's human Resources the "greatest single expenditure in most organizations.

"This factor alone, Phillips says, places an even greater requirement on HR to prove to senior managers there's a return on this investment. "The threat and extent of outsourcing is creating more emphasis on ROI. One of the most important strategies to prevent further outsourcing is to show senior management the return on investment of existing functions and processes.

"Phillips also indicates that as functions are outsourced, the ROI process becomes a useful tool to measure the success of the outsourced activity. Phillips recommends HR professionals use five key measures to analyze the return on H. R.'s efforts: ??? The investment in the HR function stated as

the total department expense divided by operational expenses, or divided by employees to make it comparable from one organization to another.

??? Absence rate unexpected absences and number of employees who leave the organization without being asked to leave ??? Turnover-including both those who leave on their own and those who are terminated. ??? Job satisfaction-the percentage of employees who feel good about their work and the company, derived from standard employee attitude survey data ??? Organizational commitment-productivity and performance statistics-high productivity and performance reflect strong employment commitment.

Human Resources plays a critical function in achieving organizational excellence, for it is with and through people that organizations thrive, prosper and transform. Leaders and professionals within Human Resource units have never been better positioned for strategic leadership within their organizations due to the growing awareness of the value of human capital (knowledge) as a competitive advantage. It is human and intellectual capital that leverages all other forms of intangible corporate assets such as Customer Service. References Davidson, Linda.

(Sept. 1998) Measure what you bring to the bottom line Workforce; Costa Mesa <http://www.peter-rock.com>